

Message Text

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ACTION EUR-12

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FM AMEMBASSY WARSAW

TO SECSTATE WASHDC PRIORITY 0239

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E.O. 11652: N/A

TAGS: EAIR, PL

SUBJECT: CIVAIR-LOT REQUEST FOR EXTRA SECTIONS BETWEEN WARSAW
AND NEW YORK

REF: STATE 58183

1. EMBASSY WILL MAKE DEMARCHE AS INSTRUCTED ON MARCH 16
AT FOREIGN MINISTRY. WE HAVE REPEATEDLY MADE THE POINT IN
CONVERSATIONS OVER LAST TWO MONTHS WITH FOREIGN OFFICE
OFFICIALS AND WITH THE DIRECTOR OF CIVIL AVIATION,
MIECZYSLAW ROMAN, THAT POLISH PROSPECTS FOR INCREASED ACCESS
TO THE U.S. MARKET IN SUMMER 1976 ARE CONTINGENT UPON
FULFILLMENT OF LOT'S OBLIGATION TO SELL TICKETS ON PANAM
FOR ZLOTYS. WHILE NO POLISH OFFICIAL HAS OPENLY ACKNOWLEDGED
THAT LOT IS REFUSING TO SELL PASSAGE ON PANAM FOR ZLOTYS,
NEITHER WILL THEY DENY THAT SUCH A POLICY IS IN EFFECT.

2. THIS SITUATION IS CLEARLY UNACCEPTABLE AS A MATTER OF
PRINCIPLE. IT IS FRUSTRATINGLY DIFFICULT, HOWEVER, TO
DETERMINE WHETHER IT IS A SIGNIFICANT PROBLEM IN TERMS
OF PANAM'S REVENUES. THE LOCAL PANAM REPRESENTATIVE
TELLS US THAT HE HAS NEVER KEPT RECORDS OF THE AMOUNT
OF ZLOTY BUSINESS ON PANAM WHICH IS ORIGINATED HERE. HE
SAYS THAT LOT HAS NEVER VOLUNTARILY GIVEN HIM ANY ZLOTY

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PASSENGERS, BUT, UNTIL THE FIRST OF THIS YEAR, LOT WOULD

HONOR PANAM RESERVATIONS AND WRITE TICKETS FOR THOSE WHO SPECIFICALLY REQUESTED TO FLY ON THE U.S. CARRIER. SINCE JANUARY, LOT HAS BEEN STEALING THESE PASSENGERS BY TELLING THEM THEY MUST FLY ON LOT. THERE IS NOW ONLY ONE TRAVEL AGENCY IN WARSAW, SPORTTOURIST, WHICH WILL HONOR PANAM'S RESERVATIONS, AND EVEN THEY WILL WRITE THE TICKET ON PANAM ONLY TO NEW YORK, ASSIGNING THE RETURN PORTION TO LOT. THE LOCAL PANAM REPRESENTATIVE SAYS THIS SITUATION HAS INCONVENIENCED HIS PASSENGERS AND IS COSTING HIM BUSINESS, BUT HE CANNOT SAY HOW MUCH. HE NOW SENDS ALL HIS CUSTOMERS TO SPORTTOURIST.

3. BEFORE THIS PROBLEM AROSE, PANAM'S PRESIDENT HAD TENTATIVELY AGREED TO SUPPORT A REQUEST FROM LOT FOR AN ADDITIONAL HALF-FREQUENCY MONTREAL-NEW YORK-WARSAW THIS SUMMER IN EXCHANGE FOR LOT'S AGREEMENT TO SELL ZLOTY TICKETS ON PANAM TO CHICAGO. THIS UNDERSTANDING HAS NOW COLLAPSED. PANAM HAS CANCELLED ITS CHICAGO-FRANKFURT-WARSAW FLIGHTS EFFECTIVE MARCH 14 AND WITHDRAWN ITS OFFER TO SUPPORT LOT'S EXTRA HALF-FREQUENCY. (WE UNDERSTAND THAT THE DECISION TO CANCEL CHICAGO WAS NOT PRIMARILY A RESULT OF THE ZLOTY PROBLEM). BAD FAITH IS BEING ALLEGED BY BOTH PARTIES, AND THE QUESTION OF ZLOTY SALES TO CHICAGO ON PANAM HAS BECOME ACADEMIC. PANAM PLANS FOUR FREQUENCIES A WEEK THIS SUMMER, ALL ORIGINATING IN NEW YORK; LOT WILL HAVE THE THREE FREQUENCIES PER WEEK TO NEW YORK PROVIDED IN THE AGREEMENT. THE ARGUMENT HAS NOW SHIFTED TO THE QUESTION OF EXTRA SECTIONS AND CHARTERS.

4. PANAM HAS OFFERED A PROGRAM OF 75 CHARTER FLIGHTS TO POLAND THIS SUMMER, BUT IS FACED WITH A NEW REGULATION, WHICH APPLIES EQUALLY TO ALL CARRIERS, PROHIBITING THE USE OF WARSAW AIRPORT BY CHARTERS BETWEEN 5:00 A.M. AND 6:00 P.M. LOCAL TIME. THE CIVIL AIR AUTHORITIES SUGGEST THE USE OF THE NEW GDANSK INTERNATIONAL AIRPORT AS AN ALTERNATIVE, BUT ENTIRELY PROHIBIT THE USE OF KRAKOW, WHICH THEY SAY LACKS THE REQUISITE FACILITIES. PANAM'S REPRESENTATIVE SAYS THE TIME LIMITATIONS IN WARSAW WOULD PRESENT PANAM WITH SERIOUS PROBLEMS IN SCHEDULING EQUIPMENT LIMITED OFFICIAL USE

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USE. FURTHERMORE, GDANSK IS IMPRACTICAL SINCE IT WOULD LEAVE PASSENGERS ON POLAND'S NORTHERN COAST, 400 MILES FROM THE SOUTHERN REGIONS TO WHICH MOST OF THEM ARE DESTINED. AT OUR SUGGESTION, THE PAN AM REPRESENTATIVE HAS APPROACHED VICE MINISTER OF FOREIGN AFFAIRS ADAMSKI, WHO IS IN CHARGE OF RELATIONS WITH POLONIA, AND SOUGHT HIS INTERVENTION IN THE NAME OF PROMOTING TOURISM. ADAMSKI SAID HE WOULD LOOK INTO THE MATTER, BUT NO RESULTS OF HIS IN-

TERVENTION ARE YET VISIBLE.

5. WE ARE CONCERNED THAT A FLAT REJECTION OF LOT'S REQUEST FOR ELEVEN EXTRA SECTIONS MIGHT CAUSE THE POLES TO CANCEL OR SHARPLY CURTAIL PANAM'S LUCRATIVE CHARTER PROGRAM. ON A STRICTLY DOLLARS-AND-CENTS BASIS, THE POTENTIAL LOSSES TO PANAM FROM SUCH A MOVE WOULD SEEM GREATLY TO OUTWEIGH ANY REVENUES WHICH MIGHT BE GAINED BY STOPPING LOT'S PRACTICE OF STEERING PASSENGERS AWAY FROM PANAM TO ITSELF. WHILE THE EXISTING AGREEMENT NOWHERE CONTAINS ANY PROVISION WHICH GIVES THE POLISH SIDE THE RIGHT TO LIMIT OR PROHIBIT PANAM CHARTERS OR EXTRA SECTIONS, WE HAVE NO EFFECTIVE RECOURSE IF THEY DOD SO EXCEPT TO CALL FOR ARTICLE NINE CONSULTATIONS AFTER THE DAMAGE HAS BEEN DONE.

6. WE BELIEVE THE OUTRIGHT REJECTION OF LOT'S REQUEST FOR THE ELEVEN EXTRA SECTIONS WOULD NOT BE IN OUR BEST INTERESTS. THE EMBASSY PROPOSES INSTEAD THAT WE PRESNE A NOTE OFFERING TO GRANT THE POLISH REQUEST CONTINGENT UPON WRITTEN POLISH AGREEMENT, TO BE EMBODIED IN OUR NOTE AND THEIR REPLY, EITHER TO (1) GRANT PANAM THE RIGHT TO ISSUE ZLOTY TICKETS ON ITS WARSAW-NEWYORK-WARSAW RUN FROM NOW UNTIL OCTOBER 31, 1976, OR (2) COMMIT LOT IN WRITING TO HONOR ALL PANAM RESERVATION CARDS ON THIS ROUTE AND ISSUE ZLOTY TICKETS TO NEW YORK AND RETURN TO ALL POLISH PASSENGERS REQUESTING TO TRAVEL PANAM. THE PRESENT WORDING OF PARAGRAPH 2 (B) OF THE JULY 19, 1972, EXCHANGE OF LETTERS HAS NOT PROVEN TO BE SUFFICIENTLY EXPLICIT. WE BELIEVE THE POLES WOULD ABIDE BY A SPECIFIC WRITTEN COMMITMENT AND THAT A FUNCTIONING ARRANGEMENT OF THIS SORT WOULD PROVIDE A BETTER ATMOSPHERE IN WHICH TO HOLD CONSULTATIONS ON THE RENEWAL OF THE AIR TRANSPORT SERVICES AGREEMENT ITSELF. IN ANY CASE, WE SUGGEST THE DEPARTMENT AWAIT THE REPORT OF OUR DISCUSSION WITH THE POLISH LIMITED OFFICIAL USE

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FOREIGN MINISTRY, IN WHICH WE WILL MAKE FURTHER RECOMMENDATIONS.

DAVIES

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